

**ESTHERVILLE LINCOLN CENTRAL
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

TABLE OF CONTENTS

Officials	1
Independent Auditor's Report	2
Management Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Governmental Fund Financial Statements:	
Balance Sheet	17
Reconciliation of the Balance Sheet To the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances To the Statement of Activities	20
Proprietary Fund Financial Statements:	
Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Net Assets	22
Statement of Cash Flows	23
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	24
Statement of Changes in Fiduciary Net Assets	25
Agency Fund Financial Statements:	
Statement of Net Assets	26
Notes to Financial Statements	27
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual, All Governmental Funds and Proprietary Fund	41
Notes to Required Supplementary Information – Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan.....	44
Other Supplementary Information:	
Governmental Nonmajor Funds:	
Combining Balance Sheet	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	46
Proprietary Nonmajor Funds:	
Combining Statement of Net Assets	47
Combining Statement of Revenues, Expenditures, and Changes in Net Assets..	48
Combining Statement of Cash Flows	49
Statement of Changes in Net Assets and Liabilities – Agency Fund	50
Schedule of Individual Student Activity Account Activity	51
Comparison of Taxes and Intergovernmental Revenues and Receipts	52
Schedule of Expenditures of Federal Awards	53
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters	54
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance	56
Schedule of Findings and Questioned Costs	58
Summary Schedule of Prior Audit Findings	64
Corrective Action Plan for Federal Audit Findings	66

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

BOARD OF EDUCATION

(Before September 2009 Election)

Jodie Greig	President	2013
Mike Karels	Vice President	2011
Molly Anderson	Board Member	2011
Don Schiltz	Board Member	2011
Michelle McCoy (Appointed Jan 2010)	Board Member	2010
Nancy Anderson	Board Member	2011
Duane Schnell	Board Member	2013

(After September 2009 Election)

Jodie Greig	President	2013
Mike Karels	Vice President	2011
Molly Anderson	Board Member	2011
Don Schiltz	Board Member	2011
Michelle McCoy	Board Member	2013
Nancy Anderson	Board Member	2011
Duane Schnell	Board Member	2013

SCHOOL OFFICIALS

Richard Magnuson	Superintendent	2011
Kate Woods	District Secretary	Indefinite
Kevin Sander	Attorney	Indefinite

Independent Auditor's Report

To the Board of Education of the
Estherville Lincoln Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Estherville Lincoln Central Community School District, Estherville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Estherville Lincoln Central Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2011, on our consideration of Estherville Lincoln Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and pages 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Estherville Lincoln Central Community School District's financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. We did not previously audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole


Certified Public Accountants

Spencer, Iowa
February 9, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Estherville Lincoln Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010.

We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$13,212,722 in fiscal 2009 to \$ 13,108,646 in fiscal 2010, while General Fund expenditures increased from \$12,794,944 in fiscal 2009 to \$13,235,056 in fiscal 2010. The District's General Fund balance decreased from \$1,242,230 in fiscal 2009 to \$1,115,820 in fiscal 2010, a 10% decrease.
- The increase in expenditures was 4%. This increase in expenditures is attributable to the additional ARRA federal funds received by the District. The State of Iowa cut funding to the district in the amount of \$ 643,895 during FY 2010. The fund balance decrease can be attributed to the unexpected across the board cut (\$643,895), which was partially offset by the ARRA funding.
- Interest rates dropped and earnings in the General Fund decreased from \$ 74,496 in fiscal year 2009 to \$39,149 in fiscal year 2010.
- Beginning July 1, 2003 the District engaged Dakotacare as third party administrator for its self-insured employee health plan which is maintained in an Internal Service Fund. The net assets in the fund are \$1,179,603 at June 30, 2010 and decreased by 6.5% from year ending June 30, 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Estherville Lincoln Central Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Estherville Lincoln Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Estherville Lincoln Central Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Debt Service Fund, and Permanent Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

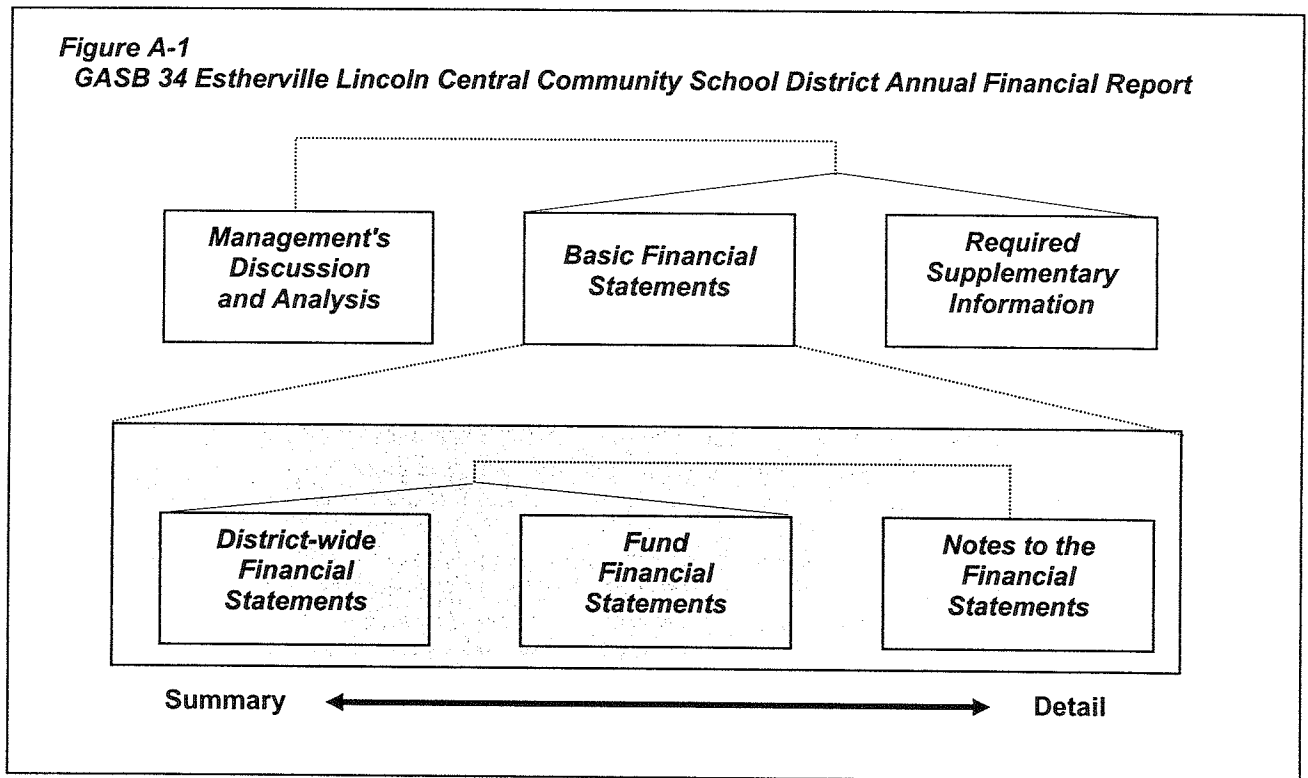


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases

in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program, child care program and Wellness Center are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Permanent Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds, the School Nutrition Fund, the Child Care Fund, and the Wellness Center Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for revenue for Post Prom and PAT and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and Other Assets	\$ 10,893,289	\$ 11,201,453	\$ 1,149,492	\$ 1,287,275	\$ 12,042,781	\$ 12,488,728	-3.6%
Capital Assets	18,241,566	17,132,097	4,868,760	4,785,032	23,110,326	21,917,129	5.4%
Total Assets	29,134,855	28,333,550	6,018,252	6,072,307	35,153,107	34,405,857	2.2%
Long-Term Obligations	12,196,830	12,128,196	-	-	12,196,830	12,128,196	0.6%
Other Liabilities	7,279,498	7,084,169	127,089	111,046	7,406,587	7,195,215	2.9%
Total Liabilities	19,476,328	19,212,365	127,089	111,046	19,603,417	19,323,411	1.4%
Net Assets:							
Invested in Capital Assets							
Net of Related Debt	7,090,879	6,131,919	4,868,760	4,867,382	11,959,639	10,999,301	8.7%
Restricted	521,963	386,464	-	-	521,963	386,464	35.1%
Unrestricted	2,045,685	2,602,802	1,022,403	1,093,879	3,068,088	3,696,681	-17.0%
Total Net Assets	\$ 9,658,527	\$ 9,121,185	\$ 5,891,163	\$ 5,961,261	\$ 15,549,690	\$ 15,082,446	3.1%

The District's combined net assets at June 30, 2009 were \$ 15,082,446 and increased to \$15,549,420 at June 30, 2010, an improvement of 3.1%. This improvement in net assets came from its governmental activities, due mainly to the completion of the new middle school.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$135,229.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) decreased by 17.0%. This decrease in unrestricted net assets was mainly due to the 10% across the board cut of state aid. Figure A-4 shows the change in net assets for the year ended June 30, 2010.

Figure A-4 shows the changes in net assets.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues							
Program Revenues							
Charges for Services	\$ 967,574	\$ 835,268	\$ 865,490	\$ 869,467	\$ 1,833,064	\$ 1,704,735	7.5%
Operating Grants, Contributions, and Restricted Interest	2,942,089	2,170,599	435,977	391,904	3,378,066	2,562,503	31.8%
Capital Grants, Contributions and Restricted interest	75,821	-	-	-	75,821	-	
General Revenues:							
Property Tax	5,620,123	5,116,691	-	-	5,620,123	5,116,691	9.8%
Local Option	877,956	790,771	-	-	877,956	790,771	11.0%
Unrestricted State Grants	5,336,624	6,359,135	-	-	5,336,624	6,359,135	-16.1%
Unrestricted Investment Earnings	58,503	241,760	15,573	25,829	74,076	267,589	-72.3%
Loss on Disposals of Fixed Assets	-	(59,360)	-	-	-	(59,360)	-
Other	88,687	44,622	-	-	88,687	44,622	98.8%
Transfers	(50,000)	(50,000)	36,000	50,000	(14,000)	-	-
Total Revenues	15,917,377	15,449,486	1,353,040	1,337,200	17,270,417	16,786,686	2.9%
Program Expenses:							
Governmental Activities							
Instruction	10,049,988	9,944,641	-	-	10,049,988	9,944,641	1.1%
Support Services	3,877,432	4,150,346	-	-	3,877,432	4,150,346	-6.6%
Non-instructional programs	-	-	1,423,138	1,388,314	1,423,138	1,388,314	2.5%
Other expenses	1,452,615	1,161,531	-	-	1,452,615	1,161,531	25.1%
Total Expenses	15,380,035	15,256,518	1,423,138	1,388,314	16,803,173	16,644,832	1.0%
Change In Net Assets	\$ 537,342	\$ 192,968	\$ (70,098)	\$ (51,114)	\$ 467,244	\$ 141,854	229.4%

In fiscal 2010, property tax and unrestricted state grants account for 69% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96% of the revenue from business type activities.

The District's total revenues were approximately \$17.2 million of which \$16.7 million was for governmental activities and \$1.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.9% increase in revenues and a 1.0% increase in expenses, due mostly to the federal ARRA funds.

Governmental Activities

Revenues for governmental activities were \$15,917,377 and expenses were \$15,380,035.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses.

Figure A-5 – Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2009	2009-2010	2010	2009	2008-2009
Instruction	\$ 10,049,988	\$ 9,944,641	1.1%	\$ 6,651,092	\$ 7,452,169	-10.7%
Support Services	3,877,432	4,150,346	-6.6%	3,847,615	4,132,711	-6.9%
Other Expenses	1,452,615	1,161,531	25.1%	895,844	665,771	34.6%
Total	\$ 15,380,035	\$ 15,256,518	0.8%	\$ 11,394,551	\$ 12,250,651	-7.0%

- The cost financed by users of the District's programs was \$967,574.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,942,089.
- The net cost of governmental activities was financed with \$6,498,079 in property and other taxes and \$5,336,624 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$1,301,467 representing a 2.7% decrease over the prior year while expenses totaled \$1,437,138 a 3.6% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District's business type activities also include the Regional Wellness Center. The Regional Wellness Center had a decrease in Net Assets of \$ 90,387 for the fiscal year ending June 30, 2010.

INDIVIDUAL FUND ANALYSIS

As previously noted, Estherville Lincoln Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,116,844 a slight decrease from last year's ending fund balances of \$ 2,370,003.

Governmental Fund Highlights

- The General Fund balance decreased from \$ 1,242,230 to \$ 1,115,820. The restricted amount of the \$ 1,115,820 is \$ 341,636, which will be spent in the upcoming years.

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$5,097 in fiscal 2009 to a positive of \$81,529 in fiscal 2010. The District issued \$525,000 in Capital Loan Notes in FY 2009 to complete the Middle School Project. While tax revenues remained approximately the same, the District struggled to maintain its deteriorating facilities and keep up with technology.
- The Capital Projects Fund balance decreased due to the purchase of property to be used for transportation and debt service transfers for the Middle School project.
- The 2007 Capital Projects Fund was established during fiscal year 2007 to record activities related to the construction and remodeling of a new K-8 facility that will be attached to the present high school. Total cost of project is estimated at over \$ 13 million. The project was completed and the fund has a zero balance as of June 30, 2010.
- The Management Fund showed a negative fund balance of \$ 217,503. This results from recording the liability for the early retirement program initiated by the board in the Spring of 2010. The property taxes levied in FY 2011 to fund the program are recorded as a receivable but the revenue is deferred.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$ 366,292 at June 30, 2009 to \$410,205 at June 30, 2010 representing an increase of approximately 12%. The District improved its breakfast and school lunch program to provide students with the a-la-carte options with little additional cost to the program. The District has also participated in a summer food program during the last two summers. These changes resulted in an increase in meals served and a related increase in revenue and net assets. They also increased their prices effective with the FY 08 school year.

Regional Wellness Center Fund assets decreased from \$ 5,512,902 at June 30, 2009 to \$5,422,515, a decrease of approximately 1.6%. The Regional Wellness Center continues to monitor their balance and look for future funding from the local community and governments.

BUDGETARY HIGHLIGHTS

The Estherville Lincoln Central Community School District amended its annual budget during the fiscal year ending June 30, 2010 to reflect additional expenditures related to the construction of the new middle school and snow damage.

The District's revenues were \$ 773,629 less than anticipated, due partially to a 10% ATB cut by the state.

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The District did not exceed its budget in any functional areas for the year ended June 30, 2010.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$23.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5% increase from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$789,186.

The original cost of the District's capital assets was \$28.9million. Governmental funds account for \$23.2 million, with the remainder of \$5.7 million accounted for in the Proprietary, School Nutrition Fund and Regional Wellness Center Fund.

Figure A-6 – Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 553,038	\$ 493,008	\$ 82,350	\$ 82,350	\$ 635,388	\$ 575,358	10.43%
Construction in Progress	-	12,815,717	-	-	-	12,815,717	-100.00%
Buildings	15,987,957	2,544,970	4,412,557	4,544,239	20,400,514	7,089,209	187.77%
Improvements Equipment, Furniture & Vehicles	583,590	574,858	-	-	583,590	574,858	1.52%
	1,116,981	703,544	373,853	240,793	1,490,834	944,337	57.87%
Total	\$ 18,241,566	\$ 17,132,097	\$ 4,868,760	\$ 4,867,382	\$ 23,110,326	\$ 21,999,479	5.05%

Long-Term Debt

At June 30, 2010, the District had \$12,196,830 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately .57% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

On April 9, 2007, the District adopted a resolution providing for the issuance of \$ 8.7 million in General Obligation Bonds and on June 9, 2008 the District adopted a resolution providing for the issuance of \$ 2.8 million in School Infrastructure Local Option Sales and Services Tax Revenue Bonds, Series 2008. On November 4, 2009 the District adopted a resolution providing for the issuance of \$525,000 in Go Capital Loan Notes. The District had total outstanding bonded indebtedness at June 30, 2010 of \$11,120,000.

Figure A-7 - Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
Revenue Bonds	\$ 2,800,000	\$ 2,800,000	0.00%
General Obligation Bonds	7,890,687	8,165,000	-3.36%
PPEL Note Payable	460,000	-	100.00%
Early Retirement	1,034,178	1,152,204	-10.24%
OPEB	11,965	10,992	8.85%
Total	<u>\$ 12,196,830</u>	<u>\$ 12,128,196</u>	<u>0.57%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment for the past seven years and will have to maintain or reduce expenditures, this becomes a difficult task with rising insurance, salary and instructional materials costs.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, at least one bus per year must be replaced. To pay for these buses, the District will use the Physical Plant and Equipment Levy Fund.
- The District will negotiate a new salary agreement with the Education Association during fiscal 2011. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related unspent balance.
- The District has invested funds in Technology, primarily from state funds allocated to the District designated specifically for Technology. The state has eliminated these funds, and without funds available the District must find other resources or let our technology become out dated.
- During the fiscal year 2010 the state issued a 10% across the board cut for school districts, this reduced the district's revenues by \$643,000. With the uncertainty of the revenue projections for the State of Iowa during the upcoming fiscal years, the district must anticipate and protect itself from further ATB cuts by reducing expenditures and levying for cash reserve.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kate Woods District Secretary/Treasurer and Business Manager, Estherville Lincoln Central Community School District, 315 N 6th Street, Estherville, Iowa, 51334.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Pooled Investments	\$ 3,756,291	\$ 1,116,008	\$ 4,872,299
Receivables:			
Property Tax	65,311	-	65,311
Succeeding Year Property Tax	5,639,595	-	5,639,595
Accounts	82,973	-	82,973
Accrued Interest	4,081	698	4,779
Due From Other Governments	1,239,963	19,179	1,259,142
Internal Balances	526	(526)	-
Inventories	41,818	14,133	55,951
Unamortized Bond Issuance Costs	62,731	-	62,731
Land	553,038	82,350	635,388
Capital Assets, Net of Accumulated Depreciation	17,688,528	4,786,410	22,474,938
Total Assets	29,134,855	6,018,252	35,153,107
Liabilities			
Accounts Payable	399,618	23,028	422,646
Salaries and Benefits Payable	171,571	28,402	199,973
Accrued Interest Payable	111,539	-	111,539
Due to Other Governments	503,729	-	503,729
Unearned Revenue	203,446	75,659	279,105
Deferred Revenue - Succeeding Year Property Tax	5,639,595	-	5,639,595
Incurred But Not Reported Claims Liability	250,000	-	250,000
Long Term Liabilities:			
Portion Due Within One Year:			
Bonds Payable	565,000	-	565,000
Notes Payable	70,000	-	70,000
Early Retirement	354,187	-	354,187
Portion Due After One Year:			
Bonds Payable	10,125,687	-	10,125,687
Notes Payable	390,000	-	390,000
Early Retirement	679,991	-	679,991
Net OPEB Liability	11,965	-	11,965
Total Liabilities	19,476,328	127,089	19,603,417
Net Assets			
Invested in Capital Assets, Net of Related Debt	7,090,879	4,868,760	11,959,639
Restricted For:			
Categorical Funding	293,260	-	293,260
Physical Plant and Equipment Levy	81,529	-	81,529
Other Special Revenue Purposes	147,174	-	147,174
Unrestricted	2,045,685	1,022,403	3,068,088
Total Net Assets	\$ 9,658,527	\$ 5,891,163	\$ 15,549,690

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 5,982,807	\$ 411,019	\$ 1,056,158	\$ 75,821
Special Instruction	1,921,959	109,699	122,495	-
Other Instruction	2,145,222	446,856	1,176,848	-
Support Services:				
Student Services	497,801	-	-	-
Instructional Staff Services	551,535	-	29,817	-
Administration Services	1,276,689	-	-	-
Operation and Maintenance	1,193,637	-	-	-
Transportation Services	357,770	-	-	-
Other Expenditures:				
Facilities Acquisition	71,244	-	-	-
Long-term Debt Interest	437,127	-	-	-
AEA Flowthrough	556,771	-	556,771	-
Depreciation (unallocated)*	387,473	-	-	-
Total Governmental Activities	15,380,035	967,574	2,942,089	75,821
Business-Type Activities:				
Non-instructional Programs:				
Nutrition Services	566,169	252,155	357,390	-
Childcare Center	198,722	153,987	28,525	-
Wellness Center	672,247	459,348	50,062	-
Total Business-Type Activities	1,437,138	865,490	435,977	-
Total School District	\$ 16,817,173	\$ 1,833,064	\$ 3,378,066	\$ 75,821

General Revenues:

Property Tax Levied For:
 General Purposes
 Debt Service
 Management Levy
 Capital Outlay
 Statewide Sales and Services Tax
 Unrestricted State Grants
 Unrestricted Investment Earnings
 Miscellaneous
 Transfers
 Total General Revenues & Transfers
 Change in Net Assets

 Net Assets Beginning of Year

 Net Assets End of Year

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (4,439,809)		\$ (4,439,809)
(1,689,765)		(1,689,765)
(521,518)		(521,518)
(497,801)		(497,801)
(521,718)		(521,718)
(1,276,689)		(1,276,689)
(1,193,637)		(1,193,637)
(357,770)		(357,770)
(71,244)		(71,244)
(437,127)		(437,127)
-		-
(387,473)		(387,473)
<u>(11,394,551)</u>		<u>(11,394,551)</u>
-	43,376	43,376
-	(16,210)	(16,210)
-	(162,837)	(162,837)
<u>-</u>	<u>(135,671)</u>	<u>(135,671)</u>
<u>(11,394,551)</u>	<u>(135,671)</u>	<u>(11,530,222)</u>
4,265,054	-	4,265,054
393,942	-	393,942
599,789	-	599,789
361,338	-	361,338
877,956	-	877,956
5,336,624	-	5,336,624
58,503	15,573	74,076
88,687	-	88,687
(50,000)	50,000	-
<u>11,931,893</u>	<u>65,573</u>	<u>11,997,466</u>
537,342	(70,098)	467,244
<u>9,121,185</u>	<u>5,961,261</u>	<u>15,082,446</u>
<u>\$ 9,658,527</u>	<u>\$ 5,891,163</u>	<u>\$ 15,549,690</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Management	Nonmajor Governmental Funds	Total
Assets				
Cash and Pooled Investments	\$ 1,158,004	\$ 101,446	\$ 1,054,100	\$ 2,313,550
Receivables:				
Property Tax	48,006	7,733	9,572	65,311
Succeeding Year Property Tax	4,153,543	649,999	836,053	5,639,595
Accounts	70	-	-	70
Accrued Interest	2,449	-	1,632	4,081
Due From Other Governments	884,866	-	355,097	1,239,963
Due From Other Funds	5,558	-	-	5,558
Inventories	41,818	-	-	41,818
Total Assets	<u>6,294,314</u>	<u>759,178</u>	<u>2,256,454</u>	<u>9,309,946</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	117,476	1,224	201,874	320,574
Salaries and Benefits Payable	171,571	-	-	171,571
Early Retirement Payable	28,729	325,458	-	354,187
Due to Other Governments	503,729	-	-	503,729
Unearned Revenue	203,446	-	-	203,446
Succeeding Year Property Tax	4,153,543	649,999	836,053	5,639,595
Total Liabilities	<u>5,178,494</u>	<u>976,681</u>	<u>1,037,927</u>	<u>7,193,102</u>
Fund Balances:				
Reserved for:				
Categorical Funding	293,260	-	-	293,260
Medicaid(10%)	6,558	-	-	6,558
Inventories	41,818	-	-	41,818
Debt Service	-	-	26,360	26,360
Unreserved for:				
General Fund	774,184	-	-	774,184
Special Revenue Fund	-	(217,503)	500,236	282,733
Permanent Fund	-	-	98,593	98,593
Capital Project Fund	-	-	593,338	593,338
Total Fund Balances	<u>1,115,820</u>	<u>(217,503)</u>	<u>1,218,527</u>	<u>2,116,844</u>
Total Liabilities and Fund Balances	<u>\$ 6,294,314</u>	<u>\$ 759,178</u>	<u>\$ 2,256,454</u>	<u>\$ 9,309,946</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds (page 17)		\$ 2,116,844
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		18,241,566
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(111,539)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the Internal Service Funds are:		
Current assets	1,525,644	
Accounts payable	(334,076)	
OPEB Liability	<u>(11,965)</u>	1,179,603
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		62,731
Long-term liabilities, including bonds payable and the long term portion of early retirement, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.		<u>(11,830,678)</u>
Total Net Assets - Governmental Activities (page 14)		<u><u>\$ 9,658,527</u></u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General	Management	Nonmajor Governmental Funds	Total
Revenues:				
Local Sources:				
Local Tax	\$ 4,265,054	\$ 599,789	\$ 1,633,236	\$ 6,498,079
Tuition	434,106	-	-	434,106
Other	130,811	25,280	528,553	684,644
State Sources	6,834,479	459	569	6,835,507
Federal Sources	1,444,196	-	70,845	1,515,041
Total Revenues	<u>13,108,646</u>	<u>625,528</u>	<u>2,233,203</u>	<u>15,967,377</u>
Expenditures:				
Current:				
Instruction:				
Regular Instruction	5,503,020	342,538	63,785	5,909,343
Special Instruction	1,911,593	-	-	1,911,593
Other Instruction	1,686,254	27,978	424,376	2,138,608
Support Services:				
Student Services	490,912	-	-	490,912
Instructional Staff Services	506,034	-	-	506,034
Administration Services	1,137,423	123,467	200	1,261,090
Operation and Maintenance	1,154,152	71,763	193,559	1,419,474
Transportation Services	288,897	14,366	1,313	304,576
Other Expenditures:				
Facilities Acquisition	-	-	1,371,278	1,371,278
Long Term Debt:				
Principal	-	-	370,000	370,000
Interest and Fiscal Charges	-	-	455,857	455,857
AEA Flowthrough	556,771	-	-	556,771
Total Expenditures	<u>13,235,056</u>	<u>580,112</u>	<u>2,880,368</u>	<u>16,695,536</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(126,410)</u>	<u>45,416</u>	<u>(647,165)</u>	<u>(728,159)</u>
Other Financing Sources (Uses):				
Long-Term Debt Proceeds	-	-	525,000	525,000
Transfers In	-	-	489,625	489,625
Transfers Out	-	-	(539,625)	(539,625)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>475,000</u>	<u>475,000</u>
Net Change in Fund Balances	(126,410)	45,416	(172,165)	(253,159)
Fund Balances (Deficit) - Beginning of Year	<u>1,242,230</u>	<u>(262,919)</u>	<u>1,390,692</u>	<u>2,370,003</u>
Fund Balances (Deficit) - End of Year	<u>\$ 1,115,820</u>	<u>\$ (217,503)</u>	<u>\$ 1,218,527</u>	<u>\$ 2,116,844</u>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds (page 19)		\$ (253,159)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	1,708,167	
Depreciation expense	<u>(598,698)</u>	1,109,469
Bond issuance costs, premiums, discounts and similar items are deferred and amortized in the Statement of Activities.		17,666
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		370,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,064
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported expenditures in the governmental funds.		
Early retirement		(100,844)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		(525,000)
Internal service funds are used by management to charge the costs of health insurance and benefits to individual funds. The net revenue of the Internal Services Funds is reported with governmental activities net of the amount allocated to business-type activities.		
Change in net assets		<u>(81,854)</u>
Change in Net Assets - Governmental Activities (page 16)		<u>\$ 537,342</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	Wellness Center	Nonmajor Business Funds	Total	Internal Service Funds
Assets				
Current Assets:				
Cash and Pooled Investments	\$ 878,605	\$ 237,403	\$ 1,116,008	\$ 1,442,741
Accounts Receivable	-	-	-	82,903
Accrued Interest Receivable	698	-	698	-
Due from Other Governments	-	19,179	19,179	-
Inventories	-	14,133	14,133	-
Total Current Assets	879,303	270,715	1,150,018	1,525,644
Noncurrent Assets:				
Land	82,350	-	82,350	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	4,557,995	228,415	4,786,410	-
Total Noncurrent Assets	4,640,345	228,415	4,868,760	-
Total Assets	5,519,648	499,130	6,018,778	1,525,644
Liabilities and Fund Equity				
Accounts Payable	15,817	7,211	23,028	79,044
Due to Other Funds	399	127	526	5,032
Accrued Payroll	9,214	19,188	28,402	-
Unearned Revenues	71,703	3,956	75,659	-
Incurred But Not Reported Claims Liability	-	-	-	250,000
Net OPEB Liability	-	-	-	11,965
Total Liabilities	97,133	30,482	127,615	346,041
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,640,345	228,415	4,868,760	-
Unrestricted	782,170	240,233	1,022,403	1,179,603
Total Net Assets	\$ 5,422,515	\$ 468,648	\$ 5,891,163	\$ 1,179,603

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities -Enterprise Funds			Governmental Activities Internal Service Funds
	Wellness Center	Nonmajor Business Funds	Total	
Operating Revenues:				
Charges for Services	\$ 459,133	\$ 398,684	\$ 857,817	\$ 1,803,882
Miscellaneous	8,486	7,457	15,943	334,055
Total Operating Revenue	<u>467,619</u>	<u>406,141</u>	<u>873,760</u>	<u>2,137,937</u>
Operating Expenses:				
Non-Instructional Programs:				
Food Service Operations:				
Salaries and Benefits	-	238,067	238,067	-
Food	-	257,827	257,827	-
Purchased Services	-	14,329	14,329	-
Supplies	-	30,568	30,568	-
Depreciation	-	25,378	25,378	-
Community Service Operations:				
Salaries and Benefits	276,886	174,138	451,024	-
Purchased Services	58,034	-	58,034	-
Supplies	147,665	23,421	171,086	-
Depreciation	164,237	873	165,110	-
Other	25,425	290	25,715	-
Other Enterprise Operations:				
Claims Expense	-	-	-	2,205,503
Administrative Fees and Other	-	-	-	14,288
Total Operating Expense	<u>672,247</u>	<u>764,891</u>	<u>1,437,138</u>	<u>2,219,791</u>
Operating Income(Loss)	<u>(204,628)</u>	<u>(358,750)</u>	<u>(563,378)</u>	<u>(81,854)</u>
Non-Operating Revenues:				
Interest Income	14,179	1,394	15,573	-
Contributions	41,062	9,926	50,988	-
State Sources	9,000	5,900	14,900	-
Federal Sources	-	361,819	361,819	-
Total Non-Operating Revenue	<u>64,241</u>	<u>379,039</u>	<u>443,280</u>	<u>-</u>
Change in Net Assets Before Transfers	(140,387)	20,289	(120,098)	(81,854)
Transfers	50,000	-	50,000	-
Change in Net Assets After Transfers	<u>(90,387)</u>	<u>20,289</u>	<u>(70,098)</u>	<u>(81,854)</u>
Net Assets - Beginning of Year	<u>5,512,902</u>	<u>448,359</u>	<u>5,961,261</u>	<u>1,261,457</u>
Net Assets - End of Year	<u>\$ 5,422,515</u>	<u>\$ 468,648</u>	<u>\$ 5,891,163</u>	<u>\$ 1,179,603</u>

This page intentionally left blank.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business Type Activities: Enterprise Funds			Governmental Activities:
	Wellness Center	Nonmajor Business Funds	Total	Internal Service Funds
Cash Flows From Operating Activities				
Cash Received from Customers	\$ 464,052	\$ 394,477	\$ 858,529	\$ 2,055,033
Other Operating Receipts	8,486	7,457	15,943	-
Cash Payments for Goods and Services	(228,853)	(277,844)	(506,697)	(2,104,741)
Cash Payments for Salaries and Benefits	(274,451)	(408,061)	(682,512)	-
Net Cash (Used) by Operating Activities	(30,766)	(283,971)	(314,737)	(49,708)
Cash Flows From Non-Capital Financing Activities				
State Grants Received	9,000	5,900	14,900	-
Federal Grants Received	-	323,552	323,552	-
Net Cash Provided by Non-Capital Financing Activities	9,000	329,452	662,004	-
Cash Flows From Capital and Related Financing Activities				
Transfers and Contributions	91,062	9,925	100,987	-
Acquisition of Capital Assets	(16,849)	(175,016)	(191,865)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	74,213	(165,091)	(90,878)	-
Cash Flows From Investing Activities:				
Interest on Investments	14,290	1,870	16,160	-
Net Increase (Decrease) In Cash and Cash Equivalents	66,737	(117,740)	272,549	(49,708)
Cash and Cash Equivalents At Beginning of Year	811,868	355,143	1,167,011	1,492,449
Cash and Cash Equivalents At End of Year	<u>\$ 878,605</u>	<u>\$ 237,403</u>	<u>\$ 1,116,008</u>	<u>\$ 1,442,741</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:				
(Loss) from Operations	\$ (204,628)	\$ (358,750)	\$ (563,378)	\$ (81,854)
Adjustments to Reconcile Operating (Loss) to Net				
Cash (Used) by Operating Activities:				
Depreciation	164,237	26,251	190,488	-
Commodities Used	-	38,267	38,267	-
(Increase) Decrease in Assets and Increase (Decrease)				
in Liabilities:				
Accounts Receivable	6,850	-	6,850	(82,903)
Due from Other Governments	-	(8,163)	(8,163)	-
Inventories	-	4,629	4,629	-
Accounts Payable	1,872	5,568	7,440	80,017
IBNR Claim Liability	-	-	-	30,000
Accrued Salaries and Benefits	2,435	4,144	6,579	-
Due to Other Funds	399	127	526	5,032
Deferred Revenue	(1,931)	3,956	2,025	-
Net Cash (Used) by Operating Activities	<u>\$ (30,766)</u>	<u>\$ (283,971)</u>	<u>\$ (314,737)</u>	<u>\$ (49,708)</u>
Non-Cash Investing, Capital and Financing Activities:				
Federal Food Commodities Received		<u>\$ 38,267</u>		

See Accompanying Notes to Financial Statements

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	Private Purpose Trust Scholarship
Assets	
Cash and Pooled Investments	\$ 1,305
Total Assets	<u>1,305</u>
 Net Assets	
Unrestricted	1,305
Total Net Assets	<u>\$ 1,305</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Private Purpose Trust Scholarship
Additions:	
Local Sources:	
Gifts and Contributions	\$ 14,071
Interest Income	18
Total Additions	<u>14,089</u>
Deductions:	
Support Services:	
Scholarships Awarded	<u>13,300</u>
Change in Net Assets	789
Net Assets Beginning of Year	<u>516</u>
Net Assets End of Year	<u><u>\$ 1,305</u></u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AGENCY FUND
JUNE 30, 2010**

Assets

Cash and Pooled Investments

\$ 52,831**Total Assets**52,831**Liabilities**

Other Payables

52,831**Net Assets**\$ -

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Estherville Lincoln Central Community School District was formed when voters of both the Estherville and Lincoln Central Community School Districts approved a merger as of July 1, 1997. The merger was accomplished by splitting the Lincoln Central School District with a neighboring school.

The Estherville Lincoln Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Estherville and Gruver, Iowa, the predominate agricultural territory in Emmet County and portions of Dickinson County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Estherville Lincoln Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Estherville Lincoln Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

District-wide financial statements - The statement of net assets and the statement of activities report information on all of the non fiduciary activities of the District. For the most part, the effect of inter fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's non fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ***Invested in Capital Assets, Net of Related Debt*** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets
- ***Restricted Net Assets*** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non major governmental funds.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.
- The **Management Fund** is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.

The District reports the following major proprietary funds:

- The **Wellness Center Fund** is used to account for the Wellness Center operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund is the RWC Scholarship/Endowment fund. Funds are donated by private individuals and are to be used for memberships at the Regional Wellness Center operated by the District.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary fund financial statements are reported using the “economic resources measurement focus”. The District-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District’s policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of governmental funds are recorded as expenses when consumed rather than when purchased or received. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	\$ 1,000
Improvements other than buildings	\$ 1,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment	5 - 15 Years

Salaries and Benefits Payable - Payroll and related expenditures for non-certified staff corresponding to the current school year, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Obligations - In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010 disbursements did not exceed the amounts budgeted in any category.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$7,346 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current year budget year or within 15 months of receipt) in instruments that mature within 397 days. Fund not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

Note 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 493,008	\$ 60,030	\$ -	\$ 553,038
Construction in Progress	12,815,717	-	12,815,717	-
Total Capital Assets Not Being Depreciated	13,308,725	60,030	12,815,717	553,038
Capital Assets Being Depreciated:				
Land Improvements	920,819	50,976	-	971,795
Buildings	5,689,549	13,714,731	-	19,404,280
Equipment	3,137,071	698,143	-	3,835,214
Total Capital Assets Being Depreciated	9,747,439	14,463,850	-	24,211,289
Land Improvements	345,960	42,245	-	388,205
Buildings	3,144,577	271,746	-	3,416,323
Equipment	2,433,526	284,707	-	2,718,233
Total Accumulated Depreciation	5,924,063	598,698	-	6,522,761
Total Capital Assets Being Depreciated, Net	3,823,376	13,865,152	-	17,688,528
Governmental Activities Capital Assets, Net	<u>\$ 17,132,101</u>	<u>\$ 13,925,182</u>	<u>\$ 12,815,717</u>	<u>\$ 18,241,566</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 3 – CAPITAL ASSETS (Continued)

Business Type Activities	Balance	Additions	Retirements	Balance
Capital Assets Not Being Depreciated:				
Regional Wellness Center:				
Land	\$ 82,350	\$ -	\$ -	\$ 82,350
Total Capital Assets Not Being Depreciated	<u>82,350</u>	<u>-</u>	<u>-</u>	<u>82,350</u>
Capital Assets Being Depreciated:				
Nutrition Fund				
Equipment	150,070	175,016	-	325,086
Childcare Fund				
Equipment	4,364	-	-	4,364
Regional Wellness Center:				
Buildings	5,267,296	-	-	5,267,296
Equipment	313,221	16,849	-	330,070
	<u>5,580,517</u>	<u>16,849</u>	<u>-</u>	<u>5,597,366</u>
Total Capital Assets Being Depreciated	<u>5,734,951</u>	<u>191,865</u>	<u>-</u>	<u>5,926,816</u>
Less Accumulated Depreciation For:				
Nutrition Fund				
Equipment	73,224	25,378	-	98,602
Childcare Fund				
Equipment	1,560	873	-	2,433
Regional Wellness Center				
Buildings	723,057	131,682	-	854,739
Equipment	152,077	32,555	-	184,632
	<u>875,134</u>	<u>164,237</u>	<u>-</u>	<u>1,039,371</u>
Total Accumulated Depreciation	<u>949,918</u>	<u>190,488</u>	<u>-</u>	<u>1,140,406</u>
Total Capital Assets Being Depreciated, Net	<u>4,785,033</u>	<u>1,377</u>	<u>-</u>	<u>4,786,410</u>
Business-Type Activity Capital Assets, Net	<u>\$ 4,867,383</u>	<u>\$ 1,377</u>	<u>\$ -</u>	<u>\$ 4,868,760</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 3 – CAPITAL ASSETS (Continued)

Depreciation expense was charged by the District as follows:

Instruction:		
Regular	\$	57,154
Support Services		
Student Services		2,624
Instructional Staff		72,477
Administration		4,419
Operation and Maintenance		20,943
Transportation		53,608
		<u>154,071</u>
Unallocated Depreciation		<u>387,473</u>
Total Depreciation Expense - Governmental Activities	\$	<u>598,698</u>
Business-type Activities		
Food Services	\$	25,378
Childcare Center		873
Wellness Center		164,237
	\$	<u>190,488</u>

Reconciliation of Investments in Capital Assets:	Governmental Activities	Business-type Activity
Land	\$ 553,038	\$ 82,350
Capital Assets (net of accumulated depreciation)	17,688,528	4,786,410
Less: Bonds Payable	11,120,000	-
Unamortized Bond Premiums	<u>30,687</u>	<u>-</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 7,090,879</u>	<u>\$ 4,868,760</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 4 – INTER FUND TRANSFERS

The detail of inter fund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
Nonmajor Governmental: Inman Trust	Nonmajor Governmental: Sanborn Endowment	\$ 59,985
Nonmajor Governmental: Debt Service	Nonmajor Governmental: Capital Projects Fund	358,400
Nonmajor Governmental: Debt Service	Nonmajor Governmental: PPEL	71,240
Regional Wellness Center	Nonmajor Governmental: Inman Trust	50,000
		<u>\$ 539,625</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 8,165,000	\$ -	\$ 305,000	\$ 7,860,000	\$ 315,000
Sales Tax Revenue Bonds	2,800,000	-	-	2,800,000	250,000
PPEL Note	-	525,000	65,000	460,000	70,000
Early Retirement	1,152,204	455,031	573,057	1,034,178	354,187
Net OPEB Liability	<u>10,992</u>	<u>973</u>	<u>-</u>	<u>11,965</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 12,128,196</u>	<u>\$ 981,004</u>	<u>\$ 943,057</u>	<u>\$ 12,166,143</u>	<u>\$ 989,187</u>

Bonds Payable listed on Statement of Net Assets include Unamortized Bond Premiums of \$30,687.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 5 – LONG-TERM LIABILITIES (Continued)

Bonds Payable

The District adopted a resolution, on November 4, 2009, providing for the issuance of \$ 525,000 in General Obligation School Capital Loan Notes, Series 2009. Details of the District's June 30, 2010 general obligation bonds are as follows:

Year Ending June 30	Interest Rates	Bond Issue of December 1, 2009	
		Principal	Interest
2011	1.50 %	\$ 70,000	\$ 11,635
2012	1.90	70,000	10,585
2013	2.30	75,000	9,255
2014	2.70	80,000	7,530
2015	3.10	80,000	5,370
2016	3.40	85,000	2,890
	Total	\$ 460,000	\$ 47,265

The District adopted a resolution, on June 9, 2008, providing for the issuance of \$2,800,000 in School Infrastructure Local Option Sales and Services Tax Revenue Bonds, Series 2008. As part of the resolution, the District will deposit all local option tax revenue into the local option sales and services tax revenue fund for the payment and interest on the bonds.

Details of the District's June 30, 2010 local option tax revenue bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Bond Issue of June 9, 2008	
		Principal	Interest
2011	4.05 %	\$ 250,000	\$ 108,338
2012	4.05	255,000	98,111
2013	4.05	250,000	87,885
2014	4.05	260,000	77,557
2015	4.05	270,000	66,825
2016-2020	4.05	1,515,000	158,456
	Total	\$ 2,800,000	\$ 597,153

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 5 – LONG-TERM LIABILITIES (Continued)

The District adopted a resolution on April 9, 2007, providing for the issuance of \$ 8.7 million in General Obligation School Bonds, Series 2007. Details of the District's June 30, 2010 general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Interest Rates</u>	<u>Bond Issue of April 9, 2007 Principal</u>	<u>Interest</u>
2011	4.00	\$ 315,000	\$ 323,218
2012	4.00	335,000	310,618
2013	4.00	350,000	297,218
2014	4.00	365,000	283,218
2015	4.00	385,000	268,618
2016-2020	4.00	2,190,000	1,069,690
2021-2025	4.00	2,685,000	580,890
2026-2027	4.00	1,235,000	75,534
	Total	<u>\$ 7,860,000</u>	<u>\$ 3,209,004</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. The amount of the assistance is the single insurance premium rate at the time of the retiree's last year of employment. Early retirement benefits paid during the year ended June 30, 2010, totaled \$573,057. There were 31 retired individuals receiving benefits at June 30, 2010.

Note 6 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$545,908, \$511,514, and \$474,107 respectively, equal to the required contributions for each year.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 7 – OTHER POST EMPLOYMENT BENEFITS

During fiscal 2009, the District adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer. Accordingly, a prospective liability is recorded at June 30, 2010 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 141,898
Interest on net OPEB obligation	275
Adjustment to annual required contribution	<u>(9,448)</u>
Annual OPEB cost (Expense)	132,725
Contributions made	<u>(131,752)</u>
Increase in net OPEB obligation	973
Net OPEB obligation - beginning of year	10,992
Net OPEB obligation - end of year	<u><u>\$ 11,965</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 141,898	92.85%	\$ 11,965
2009	\$ 137,891	92.03%	\$ 10,992

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2008 was as follows:

Actuarial accrued liability (AAL)	\$ 1,409,340
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 1,409,340</u></u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active members)	\$ 5,372,556
UAAL as a percentage of covered payroll	26.23%

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 7 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 2.5% interest discount rate and an annual medical healthcare cost trend rate of 6% select trend and a 6% ultimate trend. The participation assumed is 80% for non-Certified employees and 80% for all other employees. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8 – RISK MANAGEMENT

Estherville Lincoln Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9 – HEALTH CARE COVERAGE

The District maintains the Insurance Internal Service Fund to account for the District's employee health care coverage program which is self-insured by the District beginning July 1, 2003. Aggregate stop-loss insurance and specific stop-loss insurance are covered through third-party insurance policies. Revenues are recognized from payroll deduction and District contributions. As of June 30, 2010, an estimated liability of \$250,000 has been recorded, which represents estimated claims incurred but not yet reported.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 – HEALTH CARE COVERAGE (Continued)

Changes in the medical claims liability amounts were:

Liability, Beginning of Year	\$ 220,000
Current Year Claims and Changes in Estimates	1,811,040
Claim Payments	<u>(1,781,040)</u>
Liability, End of Year	<u>\$ 250,000</u>

Note 10 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$556,771 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11 – CATERGORICAL FUNDING

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
Limited English Proficient	\$ 38,227
Talented and Gifted	82,412
Dropout Prevention	24,636
Voluntary 4 Year Old Preschool	28,921
Teacher Salary Supplement	44,598
Administratory Mentoring	220
Innovation at Risk	3,499
Early Childhood Program Grant	715
Educator Quality	45,396
Teacher Quality Professional Development	24,636
Total	<u>\$ 293,260</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Local Sources:			
Local Taxes	\$ 6,498,079	\$ -	\$ 6,498,079
Tuition	434,106	-	434,106
Other	684,644	940,321	1,624,965
State Sources	6,835,507	14,900	6,850,407
Federal Sources	1,515,041	361,819	1,876,860
Total Receipts	<u>15,967,377</u>	<u>1,317,040</u>	<u>17,284,417</u>
Expenditures:			
Instruction	9,959,544	-	9,959,544
Support Services	3,982,086	-	3,982,086
Non-instructional Programs	-	1,437,138	1,437,138
Other Expenditures	2,753,906	-	2,753,906
Total Expenditures	<u>16,695,536</u>	<u>1,437,138</u>	<u>18,132,674</u>
Excess (Deficiency) of Revenues Over Expenditures	(728,159)	(120,098)	(848,257)
Other Financing Sources (Uses):			
Long Term Debt Proceeds	525,000	-	525,000
Transfers In	489,625	50,000	539,625
Transfers Out	(539,625)	-	(539,625)
Total Other Financing Sources (Uses)	<u>475,000</u>	<u>50,000</u>	<u>525,000</u>
Net Change in Fund Balances	(253,159)	(70,098)	(323,257)
Fund Balance at Beginning of Year	<u>2,370,003</u>	<u>5,961,261</u>	<u>8,331,264</u>
Fund Balance at End of Year	<u>\$ 2,116,844</u>	<u>\$ 5,891,163</u>	<u>\$ 8,008,007</u>

Budgeted Amounts		Final to
Original	Final	Actual Variance
\$ 5,539,723	\$ 5,569,723	\$ 958,356
512,000	512,000	(77,894)
2,325,000	2,325,000	(700,035)
8,391,463	8,391,463	(1,541,056)
1,289,860	1,289,860	587,000
18,058,046	18,088,046	(773,629)
10,747,127	10,747,127	787,583
4,682,000	4,682,000	699,914
1,562,112	1,562,112	124,974
2,755,624	3,055,624	301,718
19,746,863	20,046,863	1,914,189
(1,688,817)	(1,958,817)	2,537,074
-	-	525,000
413,150	413,150	126,475
(413,150)	(413,150)	(126,475)
-	-	525,000
(1,688,817)	(1,958,817)	3,062,074
8,331,264	8,331,264	-
\$ 6,642,447	\$ 6,372,447	\$ 1,365,560

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010**

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$300,000.

During the year ended June 30, 2010, the District did not exceed the amounts budgeted in any of the four major functions and did not exceed its General Fund unspent authorized budget.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2010**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Approximate Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	7/1/2008	\$ -	\$ 1,409,340	\$ 1,409,340	0%	\$ 5,372,556	26.23%
2010	7/1/2008	\$ -	\$ 1,409,340	\$ 1,409,340	0%	\$ 5,372,556	26.23%

See Note 7 to the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, and the funded status and funding progress.

This page intentionally left blank.

**OTHER SUPPLEMENTARY
INFORMATION**

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2010

	Student Activity	Physical Plant and Equipment	2007 Capital Projects	Capital Projects	Debt Service	Inman Trust	Sanborn Endowment	Total
Assets								
Cash and Pooled Investments	\$ 147,645	\$ 273,377	\$ -	\$ 243,217	\$ 21,367	\$ 269,901	\$ 98,593	\$ 1,054,100
Receivables:								
Property Tax	-	4,579	-	-	4,993	-	-	9,572
Succeeding Year Property Tax	-	399,936	-	-	436,117	-	-	836,053
Due from Other Governments	-	4,976	-	350,121	-	-	-	355,097
Accrued Interest	-	-	-	-	-	1,632	-	1,632
Total Assets	<u>147,645</u>	<u>682,868</u>	<u>-</u>	<u>593,338</u>	<u>462,477</u>	<u>271,533</u>	<u>98,593</u>	<u>2,256,454</u>
Liabilities								
Accounts Payable	471	201,403	-	-	-	-	-	201,874
Deferred Revenue:								
Succeeding Year Property Tax	-	399,936	-	-	436,117	-	-	836,053
Total Liabilities	<u>471</u>	<u>601,339</u>	<u>-</u>	<u>-</u>	<u>436,117</u>	<u>-</u>	<u>-</u>	<u>1,037,927</u>
Fund Balance								
Reserved for Debt Service	-	-	-	-	26,360	-	-	26,360
Unreserved for:								
Special Revenue Fund	147,174	81,529	-	-	-	271,533	-	500,236
Permanent Fund	-	-	-	-	-	-	98,593	98,593
Capital Projects Fund	-	-	-	593,338	-	-	-	593,338
Total Fund Balance	<u>147,174</u>	<u>81,529</u>	<u>-</u>	<u>593,338</u>	<u>26,360</u>	<u>271,533</u>	<u>98,593</u>	<u>1,218,527</u>
Total Liabilities and Fund Balance	<u>\$ 147,645</u>	<u>\$ 682,868</u>	<u>\$ -</u>	<u>\$ 593,338</u>	<u>\$ 462,477</u>	<u>\$ 271,533</u>	<u>\$ 98,593</u>	<u>\$ 2,256,454</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL NONMAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Student Activity	Physical Plant and Equipment	2007 Capital Projects	Capital Projects	Debt Service	Inman Trust	Sanborn Endowment	Total
Revenues:								
Local Sources:								
Local tax	\$ -	\$ 361,338	\$ -	\$ 877,956	\$ 393,942	\$ -	\$ -	\$ 1,633,236
Other	381,247	133,773	2,703	4,719	-	4,805	1,306	528,553
State Sources	-	272	-	-	297	-	-	569
Federal Sources	-	-	70,845	-	-	-	-	70,845
Total Revenues	<u>381,247</u>	<u>495,383</u>	<u>73,548</u>	<u>882,675</u>	<u>394,239</u>	<u>4,805</u>	<u>1,306</u>	<u>2,233,203</u>
Expenditures:								
Current:								
Instruction:								
Regular Instruction	-	3,800	-	-	-	59,985	-	63,785
Other Instruction	387,482	36,894	-	-	-	-	-	424,376
Support Services:								
Administration Services	-	200	-	-	-	-	-	200
Operation and Maintenance	-	193,559	-	-	-	-	-	193,559
Transportation Services	-	1,313	-	-	-	-	-	1,313
Other Expenditures:								
Facilities Acquisition	-	636,945	171,240	563,093	-	-	-	1,371,278
Long Term Debt:								
Principal	-	-	-	-	370,000	-	-	370,000
Interest and Fiscal Charges	-	-	-	-	455,857	-	-	455,857
Total Expenditures	<u>387,482</u>	<u>872,711</u>	<u>171,240</u>	<u>563,093</u>	<u>825,857</u>	<u>59,985</u>	<u>-</u>	<u>2,880,368</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,235)</u>	<u>(377,328)</u>	<u>(97,692)</u>	<u>319,582</u>	<u>(431,618)</u>	<u>(55,180)</u>	<u>1,306</u>	<u>(647,165)</u>
Other Financing Sources (Uses):								
Long-Term Debt Proceeds	-	525,000	-	-	-	-	-	525,000
Transfers In	-	-	-	-	429,640	59,985	-	489,625
Transfers Out	-	(71,240)	-	(358,400)	-	(50,000)	(59,985)	(539,625)
Total Other Financing Sources (Uses)	<u>-</u>	<u>453,760</u>	<u>-</u>	<u>(358,400)</u>	<u>429,640</u>	<u>9,985</u>	<u>(59,985)</u>	<u>475,000</u>
Net Change in Fund Balances	(6,235)	76,432	(97,692)	(38,818)	(1,978)	(45,195)	(58,679)	(172,165)
Fund Balances - Beginning of Year	<u>153,409</u>	<u>5,097</u>	<u>97,692</u>	<u>632,156</u>	<u>28,338</u>	<u>316,728</u>	<u>157,272</u>	<u>1,390,692</u>
Fund Balances - End of year	<u>\$ 147,174</u>	<u>\$ 81,529</u>	<u>\$ -</u>	<u>\$ 593,338</u>	<u>\$ 26,360</u>	<u>\$ 271,533</u>	<u>\$ 98,593</u>	<u>\$ 1,218,527</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY NONMAJOR FUNDS
 JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		
	School Nutrition	Childcare Center	Total
Assets			
Current Assets:			
Cash and Pooled Investments	\$ 164,047	\$ 73,356	\$ 237,403
Due from Other Governments	18,780	399	19,179
Inventories	14,133	-	14,133
Total Current Assets	196,960	73,755	270,715
Noncurrent Assets:			
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	226,484	1,931	228,415
Total Noncurrent Assets	226,484	1,931	228,415
Total Assets	423,444	75,686	499,130
Liabilities and Fund Equity			
Accounts Payable	6,671	540	7,211
Due to Other Funds	127	-	127
Accrued Payroll	2,485	16,703	19,188
Unearned Revenues	3,956	-	3,956
Total Liabilities	13,239	17,243	30,482
Net Assets			
Invested in Capital Assets, Net of Related Debt	226,484	1,931	228,415
Unrestricted	183,721	56,512	240,233
Total Net Assets	\$ 410,205	\$ 58,443	\$ 468,648

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-Type Activities -Enterprise Funds		
	School Nutrition	Childcare Center	Total
Operating Revenues:			
Charges for Services	\$ 244,697	\$ 153,987	\$ 398,684
Miscellaneous	7,457	-	7,457
Total Operating Revenue	<u>252,154</u>	<u>153,987</u>	<u>406,141</u>
Operating Expenses:			
Non-Instructional Programs:			
Food Service Operations:			
Salaries and Benefits	238,067	-	238,067
Food	257,827	-	257,827
Purchased Services	14,329	-	14,329
Supplies	30,568	-	30,568
Depreciation	25,378	-	25,378
Community Service Operations:			
Salaries and Benefits	-	174,138	174,138
Supplies	-	23,421	23,421
Depreciation	-	873	873
Other	-	290	290
Total Operating Expense	<u>566,169</u>	<u>198,722</u>	<u>764,891</u>
Operating (Loss)	(314,015)	(44,735)	(358,750)
Non-Operating Revenues:			
Interest Income	537	857	1,394
Contributions	-	9,926	9,926
State Sources	5,900	-	5,900
Federal Sources	351,491	10,328	361,819
Total Non-Operating Revenue	<u>357,928</u>	<u>21,111</u>	<u>379,039</u>
Change in Net Assets	43,913	(23,624)	20,289
Net Assets - Beginning of Year	<u>366,292</u>	<u>82,067</u>	<u>448,359</u>
Net Assets - End of Year	<u>\$ 410,205</u>	<u>\$ 58,443</u>	<u>\$ 468,648</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Business Type Activities: Enterprise Funds		
	School Nutrition	Childcare Center	Total
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 239,311	\$ 155,166	\$ 394,477
Other Operating Receipts	7,457	-	7,457
Cash Payments for Goods and Services	(253,569)	(24,275)	(277,844)
Cash Payments for Salaries and Benefits	(235,582)	(172,479)	(408,061)
Net Cash (Used) by Operating Activities	(242,383)	(41,588)	(283,971)
Cash Flows From Non-Capital Financing Activities			
State Grants Received	5,900	-	5,900
Federal Grants Received	313,224	10,328	323,552
Net Cash Provided by Non-Capital Financing Activities	319,124	10,328	329,452
Cash Flows From Capital and Related Financing Activities			
Transfers and Contributions	-	9,925	9,925
Acquisition of Capital Assets	(175,016)	-	(175,016)
Net Cash Provided (Used) by Capital and Related Financing Activities	(175,016)	9,925	(165,091)
Cash Flows From Investing Activities:			
Interest on Investments	775	1,095	1,870
Net Increase (Decrease) In Cash and Cash Equivalents	(97,500)	(20,240)	(117,740)
Cash and Cash Equivalents At Beginning of Year	261,547	93,596	355,143
Cash and Cash Equivalents At End of Year	<u>\$ 164,047</u>	<u>\$ 73,356</u>	<u>\$ 237,403</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
(Loss) from Operations	\$ (314,015)	\$ (44,735)	\$ (358,750)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities:			
Depreciation	25,378	873	26,251
Commodities Used	38,267	-	38,267
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Due from Other Governments	(9,342)	1,179	(8,163)
Inventories	4,629	-	4,629
Accounts Payable	6,132	(564)	5,568
Accrued Salaries and Benefits	2,485	1,659	4,144
Due to Other Funds	127	-	127
Deferred Revenue	3,956	-	3,956
Net Cash (Used) by Operating Activities	<u>\$ (242,383)</u>	<u>\$ (41,588)</u>	<u>\$ (283,971)</u>
Non-Cash Investing, Capital and Financing Activities:			
Federal Food Commodities Received	<u>\$ 38,267</u>		

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Assets				
Cash	\$ 39,146	\$ 66,900	\$ 53,215	\$ 52,831
Liabilities				
Other Payables	\$ 39,146	\$ 66,900	\$ 53,215	\$ 52,831

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2010**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary	\$ 10,825	27,641	25,094	\$ 13,372
High School Activity	69,844	76,036	82,908	62,972
Athletics	36,532	202,847	203,814	35,565
Middle School	36,208	74,723	75,666	35,265
Total	<u>\$ 153,409</u>	<u>\$ 381,247</u>	<u>\$ 387,482</u>	<u>\$ 147,174</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES AND RECEIPTS
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2010, 2009, 2008, 2007, 2006, 2005, 2004**

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local Sources:							
Local Tax	\$ 6,498,079	\$ 5,907,462	\$ 5,790,012	\$ 5,395,697	\$ 4,869,098	\$ 4,515,401	\$ 5,139,351
Tuition	434,106	407,361	430,169	438,187	486,143	1,121,539	432,742
Other	684,644	721,689	1,206,195	773,995	677,697	641,058	2,543,339
State Sources	6,835,507	7,858,023	7,403,364	6,925,705	6,592,251	6,566,433	6,400,290
Federal Sources	1,515,041	664,310	650,712	714,868	794,636	1,270,901	1,292,861
Total	<u>15,967,377</u>	<u>15,558,845</u>	<u>15,480,452</u>	<u>14,248,452</u>	<u>13,419,825</u>	<u>14,115,332</u>	<u>15,808,583</u>
Expenditures:							
Instruction:							
Regular Instruction	5,909,343	5,945,534	5,783,701	5,482,880	4,854,333	5,005,459	5,331,064
Special Instruction	1,911,593	1,804,986	2,294,466	2,247,870	2,582,724	2,522,207	2,584,254
Other Instruction	2,138,608	1,856,346	1,158,467	1,121,639	1,208,262	1,327,093	856,602
Support Services:							
Student Services	490,912	452,040	461,319	430,053	485,436	731,119	748,194
Instructional Staff Services	506,034	594,405	610,500	568,946	590,959	186,431	183,830
Administration Services	1,261,090	1,202,436	1,167,759	1,072,712	1,153,144	1,090,947	1,081,985
Operation and Maintenance	1,419,474	1,320,289	1,242,155	1,237,471	1,108,029	1,116,373	924,990
Transportation Services	304,576	430,439	389,462	421,815	381,856	338,691	302,291
Non-Instructional Programs	-	-	-	-	-	4,396	1,413
Other / Expenditures:							
Facilities acquisition	1,371,278	7,160,031	6,140,840	747,915	325,530	152,996	2,145,456
Long-Term Debt:							
Principal	370,000	285,000	925,000	314,015	303,028	283,028	268,028
Interest and other charges	455,857	407,583	393,640	102,058	70,200	85,462	99,893
AEA flowthrough	556,771	495,760	466,718	448,147	421,253	419,600	420,910
Total	<u>\$16,695,536</u>	<u>\$21,954,849</u>	<u>\$21,034,027</u>	<u>\$14,195,521</u>	<u>\$13,484,754</u>	<u>\$13,263,802</u>	<u>\$14,948,910</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	\$ 50,623
National School Lunch Program	10.555	FY 10	289,577
Summer Food Service Program	10.559	FY 10	11,292
			<u>351,492</u>
Child & Adult Care Food Program	10.558	FY 10	10,328
U.S. Department of Education			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY 10	213,831
ARRA - Title I Grants to Local Educational Agencies	84.389	FY 10	98,191
			<u>312,022</u>
Migrant Education	84.011	FY 10	21,320
Title I Program for Neglected and Delinquent Children	84.013	FY 10	136,262
Career and Technical Education - Basic Grants to States	84.048	FY 10	11,462
Safe and Drug Free Schools	84.186	FY 10	10,078
Iowa Demonstration Construction Grants	84.215	FY 10	70,845
Tech Prep Education	84.243	FY 10	2,200
Title III English Language Acquisition State Grants	84.365	FY 10	10,335
Title IIB - Math and Science Partnership	84.366	FY 10	11,161
Improving Teacher Quality State Grants	84.367	FY 10	61,968
Grants for State Assessments and Related Activities	84.369	FY 10	8,255
ARRA - State Fiscal Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Fund-Education State Grants	84.394	FY 10	579,226
ARRA - State Fiscal Stabilization Fund - Government Services	84.397	FY 10	50,789
			<u>630,015</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 10	72,453
ARRA - Special Education Part B	84.391	FY 10	122,495
			<u>194,948</u>
Department of Homeland Security			
Public Assistance Grants - FEMA	97.036	FY 10	4,975
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Medical Assistance Program	93.778	FY 10	29,195
Total Indirect			<u><u>\$ 1,876,861</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Estherville Lincoln Central Community School District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of the
Estherville Lincoln Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Estherville Lincoln Central Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 9, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Estherville Lincoln Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item 10-II-B and 10-II-C to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Estherville Lincoln Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matters that are

required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 10-II-A. We also noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Estherville Lincoln Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Estherville Lincoln Central Community School District's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Estherville Lincoln Central Community School District and other parties to whom Estherville Lincoln Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Estherville Lincoln Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williamo + Company, PC

Certified Public Accountants

Spencer, Iowa
February 9, 2011

**Independent Auditor's Report on Compliance with Requirements
Applicable to each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Education of the
Estherville Lincoln Central Community School District:

Compliance

We have audited the compliance of Estherville Lincoln Central Community School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Estherville Lincoln Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of Estherville Lincoln Central Community School District's management. Our responsibility is to express an opinion on Estherville Lincoln Central Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Estherville Lincoln Central Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Estherville Lincoln Central Community School District's compliance with those requirements.

In our opinion, Estherville Lincoln Central Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Estherville Lincoln Central Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Estherville Lincoln Central Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to tests and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Estherville Lincoln Central Community School District internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses as described in the accompanying schedule of findings and questioned costs as items III-A-10, III-B-10, and III-C-10. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Estherville Lincoln Central Community School District's response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Estherville Lincoln Central Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Estherville Lincoln Central Community School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Williams+Company, P.C.
Certified Public Accountants

Spencer, Iowa
February 9, 2011

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

- (A) An unqualified opinion was issued on the financial statements.
- (B) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did disclose compliance, which is material to the financial statements.
- (D) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including material weaknesses.
- (E) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit did disclose an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) Major programs were as follows:
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program
 - Title I, Part A Cluster
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies
 - Fiscal Stabilization Cluster
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants
 - CFDA Number 84.397 – ARRA - State Fiscal Stabilization Fund – Government Services
- (H) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (I) Estherville Lincoln Central Community School District did not qualify as a low-risk auditee.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE:

10-II-A Revenue Bonds

Observation – The District has not transferred the required amount to the sinking fund required by the revenue bond resolution.

Recommendation – We recommend that the District make the required transfer to the sinking fund in order to fully fund the sinking fund and then begin making the monthly transfers as required by the bond resolution.

Response – The District will make the required transfers and resume making the required monthly transfers.

Conclusion – Response accepted.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

SIGNIFICANT DEFICIENCIES:

10-II-B Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

10-II-C Financial Reporting

Observation – During our audit, we identified immaterial amounts of receivables, payables, and capital asset additions not recorded or recorded incorrectly in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553 – School Breakfast Program
CFDA Number 10.555 – National School Lunch Program
CFDA Number 10.559 – Summer Food Service Program
CFDA Number 84.010 – Title I Grants to Local Educational Agencies
CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies
CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants
CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services

Federal Award Year – 2010
Passed through the Iowa Department of Education

10-III-A Financial Accounting – Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

CFDA Number 10.553 – School Breakfast Program
CFDA Number 10.555 – National School Lunch Program
CFDA Number 10.559 – Summer Food Service Program
Federal Award Year – 2010
Passed through the Iowa Department of Education

10-III-B Awarding of Free and Reduced Meals

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified four applications in which the eligibility calculation was not verified by the business office.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or continue to review all the calculations.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Response – The District will reevaluate the current procedures and current staff associated with the free and reduced eligibility applications to determine if the procedures and staff are adequate.

Conclusion – Response accepted.

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

10-IV-A: Certified Budget – Disbursements for the year ended June 30, 2010 did not exceed the amended certified budget amounts.

10-IV-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

10-IV-C: Travel Expense – No expenditures of Estherville Lincoln Central Community School District were for travel expenses of spouses of District officials or employees.

10-IV-D: Business Transactions – Business transactions between the District and the District officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Duane Schnell, Board Member Partial Owner of Jensen Furniture Stores	Carpet and Roller Shades	\$ 18,150

In accordance with the Code of Iowa, the above transactions may represent conflict of interest since the total received during the fiscal year is greater than \$2,500. This transaction may represent a conflict of interest and the District should contact legal council for determination.

10-IV-E: Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

10-IV-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (Continued)

10-IV-G: Certified Enrollment – The number of resident students reported to the Iowa Department of Education in row 1 of the Certified Enrollment Certification Form for October of 2009 was overstated. The District's certified enrollment count included 1 student who was not in attendance in the Fall of 2009. This resulted in overstating the total actual enrollment in row 7 by 1 student.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

10-IV-H: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

10-IV-I: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

10-IV-J: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds

10-IV-K: Statewide Sales and Service Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009 the District's financial activity and other required information for the statewide sales and service tax are as follows:

Beginning Balance	\$ 466,617
-------------------	------------

Statewide Sales and Services	877,956
------------------------------	---------

Expenditures/Transfers Out:

Debt Service for School Infrastructure

General Obligation Debt	358,400
-------------------------	---------

Buildings	563,093
-----------	---------

	921,493
--	---------

Ending Balance

	\$ 423,080
--	------------

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (Continued)

10-IV-L: Deficit Balances – The Management fund had a deficit balance at June 30, 2010.

Recommendation – We recommend that the District should investigate alternatives to significantly reduce and/or eliminate this deficit.

Response – The District is aware of this situation and future property taxes will eliminate this deficit by June 30, 2011.

Conclusion – Response accepted

10-IV-M: Revenue Bonds The District has not transferred the required amount to the sinking fund required by the revenue bond resolution.

Recommendation – We recommend that the District make the required transfer to the sinking fund in order to fully fund the sinking fund and then begin making the monthly transfers as required by the bond resolution.

Response – The District will make the required transfers and resume making the required monthly transfers.

Conclusion – Response accepted.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

09-III-A Awarding of Free and Reduced Meals

Observation – During our review of compliance requirements over the School Breakfast Program and National School Lunch Program, we identified four individuals who were improperly awarded free or reduced meals based upon the information available. The non-compliance was not material to the financial statements.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or review all the calculations. The District should also develop written policies and procedures related to the application process. We would also recommend additional training for the person in charge of the application process and eligibility determinations.

Current Status – The business office began reviewing the applications, specifically the eligibility determinations, in fiscal year 2010. We found no incorrect eligibility determinations during our testing in the current year.

09-III-B Financial Accounting – Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Current Status – This finding still exists at June 30, 2010 (See Comment 10-III-A)

09-III-C Income Eligibility Calculations for Free and Reduced Meals

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified four applications where the family income was incorrectly calculated. There was also one application where the original income had been adjusted with no indication of who made the adjustment or why the adjustment was made. We also noted that there was no indication that the applications were reviewed by someone in the business office.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or review all the calculations. The District should also develop written policies and procedures related to the application process. We would also recommend additional training for the person in charge of the application process and eligibility determinations.

Current Status – The business office began reviewing the applications, specifically the eligibility determinations, in fiscal year 2010. We found four applications where we were unable to determine if the application had been reviewed. We recommend that all applications are signed by the person reviewing. The finding still exists as June 30, 2010 (See Comment 10-III-B).

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

09-III-D Awarding of Free and Reduced Meals

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified four individuals who were improperly awarded free or reduced meals based upon the information available.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or review all the calculations. The District should also develop written policies and procedures related to the application process. We would also recommend additional training for the person in charge of the application process and eligibility determinations.

Current Status – The business office began reviewing the applications, specifically the eligibility determinations, in fiscal year 2010. We found no incorrect eligibility determinations during our testing in the current year.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
JUNE 30, 2010**

Department of Education:

Estherville Lincoln Central Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2010.

The audit was performed by Williams & Company, P.C., P.O. Box 908, Spencer, Iowa, for the fiscal year ended June 30, 2010.

The findings from the June 30, 2010 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCIES:

10-III-A Financial Accounting – Segregation of Duties – School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555 – Summer Food Service Program CFDA #10.559 – Title I Grants to Local Educational Agencies CFDA #84.010 – ARRA – Title I Grants to Local Education Agencies CFDA #84.389 – ARRA – State Fiscal Stabilization Fund – Education State Grants CFDA #84.394 – ARRA – State Fiscal Stabilization Fund – Government Services CFDA #84.397

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

10-III-B Awarding of Free and Reduced Meals - School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555 – Summer Food Service Program CFDA #10.559

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified four applications in which the eligibility calculation was not verified by the business office.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or continue to review all the calculations.

Response – The District will reevaluate the current procedures and current staff associated with the free and reduced eligibility applications to determine if the procedures and staff are adequate.

Conclusion – Response accepted.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS (Continued)
JUNE 30, 2010

If the Department of Education has questions regarding this plan, please call Richard Magnuson at 712-362-2692.

Sincerely yours,

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

A handwritten signature in black ink, appearing to read "R. Magnuson". The signature is written in a cursive, flowing style.

Richard Magnuson, Superintendent